

Brazil girds for massive offshore oil extraction

By Juan Forero

Everything about the shipyard here is colossal -- the 4,000-man workforce, the billions sunk into it in capital costs, the half-finished 10-story-high production platforms.

But then, so is the challenge facing Brazil's state-controlled energy company, Petrobras: developing a group of newly discovered deep-sea oil fields that energy analysts say will catapult this country into the ranks of the world's petro-powers. The oil pools are 200 miles out in the Atlantic and more than four miles down, under freezing seas, rock and a heavy cap of salt.

Petrobras, which until recently was little known outside oil circles, has launched a five-year, \$174 billion project to provide platforms, rigs, support vessels and drilling systems to develop tens of billions of barrels of oil. Energy officials here project that Brazil -- still an oil importer five years ago -- will in the next decade have one of the world's biggest oil reserves.

"It's going to change the role of Brazil in the geopolitics of oil," Petrobras's president, José Sergio Gabrielli, said in an interview at the company's headquarters in Rio de Janeiro. "We are going to become a much bigger producer."

Petrobras estimates that production in Brazil could reach 3.9 million barrels by 2020, up from more than 2 million a day now. Proven oil reserves would rise from 14.4 billion barrels to more than 30 billion barrels, according to government estimates, putting Brazil in the same league as such major oil exporters as Qatar, Canada, Kazakhstan and Nigeria.

The new discoveries in Brazil's offshore "pre-salt" region do not mean that the country will become a major exporter of crude, according to Gabrielli. He noted that Brazil's economy, which is the world's eighth-largest and is steadily growing, is expected to consume much of Petrobras's projected production. But, he added, as the country meets its own needs, it will also develop for export refined products such as gasoline, diesel and biofuels.

In an era of drum-tight supply, the discoveries off Brazil's coast and Petrobras's growing stature are changing the world's oil balance, because few regions outside the OPEC countries are expected to generate significant growth in crude production, said Michelle Billig Patron, senior director of political risk for the New York-based Pira Energy Group.

"There is really only Canada and Brazil when you're talking about a million barrels a day more in growth over the next 10 years," Patron said.

A firm hits it big

The engine of that growth is a multinational that, for much of its 56-year history, was little more than a trading company. It pumped a few thousand barrels a day almost as a side note to its real function, overseeing oil imports. Then in 1974 -- a time when oil shocks had alarmed Brazilian officials -- came a major discovery: the offshore Campos Basin, east of Rio.

"Petrobras, before Campos, produced 180,000 barrels a day," said João Carlos de Luca, a former Petrobras executive who is president of the Brazilian Petroleum Institute, which represents foreign oil companies here. "After Campos, it was a company that searched for self-sufficiency in production."

In its drive to produce, Petrobras became a leader in offshore production. The Rio-based company is now responsible for more than a fifth of the world's deep-sea operations, more than any other company, Gabrielli said. It operates in 26 countries and drills off the African coast and in the Gulf of Mexico.

With a market capitalization of more than \$220 billion, Petrobras is one of the world's 10 biggest companies. Over the past two years, it has been the most frequently traded foreign company on the New York Stock Exchange, trade data show. Among investors bullish on Petrobras is George Soros, who last year made the oil company the largest single holding in his investment fund, according to Bloomberg.

Still, the company remains firmly under the control of the state, with President Luiz Inácio Lula da Silva calling it a national icon whose fortunes are intertwined with Brazil's.

Though private investors control nearly 60 percent of Petrobras stock, the Brazilian government has 56 percent of the voting rights. Seven of its nine directors are from the government. The board's chairwoman is Dilma Rousseff, a Lula confidant who is expected to be the ruling party's candidate in next year's presidential elections.

The Lula government is now seeking passage of a law to give Petrobras control over future projects in the newly discovered fields. Foreign companies have explored for oil in Brazil since 1997, but the proposed regulations would limit their ability to make major decisions involving the new oil pools.

Gabrielli said it is logical to make Petrobras the operator, with a mandatory 30 percent stake in each project, because Brazil took the risks to drill for oil in the pre-salt. But he noted that companies such as Exxon Mobil, Britain's BG Group, Royal Dutch Shell and Spain's Repsol are investing billions to develop their share of the new projects.

Luca, the president of the association representing foreign companies, said Petrobras may overextend itself. "We could be limiting the development," he said.

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Crude oil declines, trades below \$75 a barrel, as dollar gains

LONDON (Bloomberg) — Crude oil dropped for a fourth day, trading below \$75 a barrel as the dollar gained amid speculation the U.S. Federal Reserve may start raising interest rates.

Oil closed at its lowest since Oct. 14 last week after a better-than-forecast U.S. jobless report bolstered the dollar. Commodities including gold and crude oil typically weaken when the dollar gains in value. Saudi Arabian Oil Minister Ali al-Naimi said the price near \$75 a barrel is "perfect."

"A stronger dollar is automatically bad for commodities and can put oil under pressure," Hannes Loacker, an analyst at Raiffeisen Zentralbank Oesterreich, said by phone from Vienna. "There are fears that interest rates might go up, this is helping the dollar."

Crude oil for January delivery fell as much as 91 cents, or 1.2 percent, to \$74.56 a barrel in electronic trading on the New York Mercantile Exchange. The contract was at \$74.77 a barrel at 9:11 a.m. London time. Futures have gained 68 percent this year.

The dollar strengthened to \$1.4778 per euro as of 8:56 a.m. in London, the strongest level since Nov. 4, from \$1.4858 in New York last week.

Crude oil prices are in "the right range" and there is no need to reduce inventories, Saudi Arabian Oil Minister Ali al-



Naimi said on Dec. 5.

"Inventories are coming down, the price is perfect, and all investors, consumers, producers -- they're all very happy," al-Naimi said in Cairo, where Arab oil

ministers were holding an annual meeting.

Saudi Arabia is the largest producer in the Organization of Petroleum Exporting Countries.

Iran to finalize talks with Shell, Repsol

Iran is close to finalizing negotiations with Royal Dutch Shell and Repsol concerning their participation in a multi-billion dollar Liquefied Natural Gas (LNG) project in Iran.

According to head of Iran's National Gas Exporting Company (INGEC) Reza Kasaeizadeh by finalizing the negotiations between Iran and the two European oil and gas firms, the production at phase 13 of the Iranian South Pars gas field as well as the midstream production at Persian LNG project is expected to start earlier than expected.

Iran's former oil minister Gholam-Hossein Nozari said earlier in June that Spain's largest oil group, Repsol, and British-Dutch peer Royal Dutch Shell have offered a new proposal for initial production in two phases of the country's South Pars gas field.

Shell, Europe's largest oil and gas company, teamed up with Spain's Repsol and signed a deal with the National Iranian Oil Company in January 2002 to invest in phase 13, known as the 'Persian LNG'.

Last year, Shell delayed decisions on multi-billion dollar investments in phase 13 plans, reportedly due to political pressures from the White House.

In April, Iran gave Shell and Repsol until May 20 to clarify their involvement in the project. Phases 13 and 14 concern the development of production and exports of LNG, which is gas cooled to liquid under pressure for transportation in special tankers.

Persian LNG project consists of development of phases 13 and 14 of South Pars Gas field and construction of two LNG trains each with capacity of 8.1 million tons per year.

(Source: Press TV)

Iran to purchase 5 bcm of gas from Azerbaijan

Iran intends to purchase about five billion cubic meters of gas from Azerbaijan, Iranian Ambassador to Azerbaijan Mohammad-Baqer Bahrami stated in Baku on Monday.

"At present, the sides mull the volume of gas to be delivered from Azerbaijan to Iran in accordance with the existing agreement," Bahrami said.

In mid-November, the State Oil Company of Azerbaijan (SOCAR) and National Iranian Gas Company signed the memorandum on mutual understanding on Azerbaijani gas supplies to Iran beginning from 2010.

Currently, the infrastructure allows delivering about 500 million cubic meters of gas per year. In the future, the parties intend to expand capacity by increasing the capacity of gas compressor stations. The gas price has not been specified.

The contract on purchase-sale of gas is expected to be signed by late 2009. Azerbaijan has four directions of gas export, including Turkey, Georgia, Russia and Iran. At present, gas is exported to Turkey and Georgia. Azerbaijani gas will be exported to Russia from early 2010. At present, Azerbaijan exports gas upon swap conditions with further transfer of Iranian gas to provide the Nakhchivan Autonomous Republic.

Azerbaijan and Iran are connected with the Kazi-Magomed-Astara pipeline gas pipeline. Its length is 1474.5 kilometers, including the territory of Azerbaijan - 296.5 kilometers. Its capacity is 10 billion cubic meters per year.

(Source: Trend News)

Nigeria sees OPEC output steady, focus on compliance

OPEC oil producers are likely to keep their current oil production targets unchanged and focus on compliance with the group's decisions when they meet in Angola on December 22, a senior Nigerian official said on Monday.

"I don't think there is going to be any change in level of production," Nigeria's special adviser to the president on energy matters, Emmanuel Egbogah, told reporters on the sidelines of a conference.

Apart from Nigeria, most Arab oil ministers also see no change in OPEC output as they are comfortable with current crude prices.

Oil prices rebounded toward \$76 a barrel on Monday, after shedding nearly \$1 in the previous session, as positive U.S. jobs data buoyed hopes that energy demand in the world's largest fuel consumer would soon improve.

"Oil prices have been alright. I think we have a position that oil prices probably are at a good level now," Egbogah said.

Nigeria pumping 1.8-1.85m bpd of oil: minister

Nigeria is currently producing between 1.8 million and 1.85 million barrels per day (bpd) of crude oil plus 600,000 bpd of condensate, the minister of state of petroleum said on Sunday.

"We haven't produced 2 million per day for a very long time," said the minister, Odein Ajumogobia. "We are now producing 1.8-1.85 million barrels of crude and another 600,000 barrels



of condensate," he told reporters in Abuja, the OPEC's member's capital.

The production figure is above a target set by the Organization of the Petroleum Exporting Countries. OPEC has given Nigeria an implied production quota of 1.67 million bpd.

Ajumogobia said an amnesty programme earlier this year, under which thousands of militant fighters in the Niger Delta agreed to lay down weapons in return for a presidential pardon, had allowed repairs to be done to damaged infrastructure.

"Some of those pipelines that (could not previously be reached) we are now accessing, we are now repairing, production is slowly rising," he said.

Nigeria's crude oil exports are expected to hit a six-month high in January, according to preliminary loading programmes, as the respite from attacks on oil facilities brought by the amnesty allows oil companies to ramp up production.

Crude oil output is set to average 2.01 million bpd in January, up from a revised 2.00 million bpd in December and the highest volume since July, trade sources said last week.

Nigeria has the capacity to produce more than 3 million bpd of crude oil but militant attacks on oil facilities have reduced production by more than 20 percent, or around 700,000 bpd.

(Source: Reuters)

Mehr complex's exports hit \$80m

Tehran Times Economic Desk
TEHRAN — Some 85,000 tons of polyethylene worth \$80 million have been exported from the Mehr Petrochemical Complex since the complex came on stream on June 25.

Belgium, Turkey and Southeast Asian countries were the main targets for the exported polyethylene, the Islamic Republic of Iran Broadcasting reported.

The Mehr Petrochemical complex started trial operation in May and it is currently working with full capacity.

The Complex is one of the National Petrochemical Company's major projects implemented through a \$230 million joint venture by the domestic private sector and foreign investors.

The complex has been built to produce high density polyethylene in Pars Special Economic Energy Zone in Assaluyeh, Bushehr province.

The high density polyethylene project of Pars Special Economic Energy Zone is the first investment by Japanese companies in Iran's petrochemical industry in the past 24 years.

A consortium which is comprised of Iran's RAMPCO and Japan's Mitsui companies implemented the project.

Iran, Syria to boost energy ties

Tehran Times Economic Desk
TEHRAN — Iran and Syria have signed memorandums of understanding in Damascus on Sunday to boost cooperation in the field of energy and water resources management.

Iranian Energy Minister, Majid Namjou and Syrian Prime Minister, Muhammad Naji al-Otari inked the MOUs, the Islamic Republic of Iran Broadcasting reported.

The expansion of Jandar power plant in Syria by Iranian MAPNA Company at the cost of 240 million euros was included in the memorandums.

The Iranian minister also met with Syrian Electricity Minister Ahmed Qazi Kialil. The two sides agreed to cooperate in infrastructural development of power networks.



Iran to drill Caspian Sea for oil soon

Iran is to start exploration drillings in the Caspian Sea by the end of the current Iranian year (March 21, 2010), an official at Khazar Exploration and Production Co. (KEPCO) says.

"There is a bright prospect of finding reserves of crude oil in the region (by using Iran-Alborz semi-submersible rig) considering the high potential for Hydrocarbon reserves in the Caspian Sea," Mahmoud Zirakchianzadeh, a member of KEPCO's board of directors, told Iran's SHANA news agency on Monday.

He added that with the inauguration and operation of Iran-Alborz semi-submersible rig, the country can reach a high level of technical knowledge and oil industry technology in deep waters.

The Iran-Alborz semi-submersible drilling rig was officially inaugurated earlier in July.

The semi-submersible drilling rig can operate at water depths up to 1,030 meters and drill down to 6,000 meters under the seabed.

(Source: Press TV)